

Message Text

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61

ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 AGR-20 PA-04 PRS-01 USIA-15 SWF-02 ABF-01

PER-05 FEA-02 DRC-01 /185 W
----- 095227

R 091930Z MAY 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 8518

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E.O. 11652: N/A

TAGS: ECON, AFSP, ALLOW, CI

SUBJECT: INFLATION IN APRIL

REF: SANTIAGO 1919

1. BEGIN UNCLASSIFIED. CONSUMER PRICE INDEX (CPI) OF NATIONAL STATISTICAL INSTITUTE ROSE 15.3 PERCENT IN APRIL OVER MARCH. MOST SIGNIFICANT APRIL PRICE INCREASES, AVERAGING ALMOST 20 PERCENT, WERE IN FOODSTUFFS CATEGORY. CUMULATIVE CPI RISE FOR FIRST FOUR MONTHS OF 1974 IS NOW 87 PERCENT.

2. NEW SALARY SCALE FOR MOST PUBLIC SECTOR EMPLOYEES HAS BEEN PUT INTO EFFECT BY CONTROLLER GENERAL. SCALE OF 35 GRADES NOW RANGES (IN MONTHLY ESCUDO EARNINGS BEFORE TAXES) FROM 25,000 TO 416,000. END UNCLASSIFIED. BEGIN LOU

3. COMMENT. INFLATION IS GOC'S MOST SERIOUS ECONOMIC PROBLEM. ACCORDING TO A MINISTRY OF ECONOMY ADVISER, 23 ITEMS ON THE CPI (ESSENTIAL, PRICE-CONTROLLED GOODS SUCH AS BKEAD AND FUEL FOR MOST PART) WERE RESPONSIBLE FOR ALMOST 90
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PERCENT OF RISE IN JANUARY - MARCH 1974 COST OF LIVING. HE

ALSO NOTED THAT IMPORTANT FACTORS IN CPI INCREASE IN MARCH-
APRIL WERE VERY SUBSTANTIAL JUMPS IN PRIVATE SCHOOL FEES AND
RENTS. SUCH ITEMS AS BEER AND SOFT DRINKS HAVE EXPERIENCED
RECENT PRICE INCREASES, AND WE EXPECT ANOTHER ROUND OF LARGE
PRICE RISES IN PETROLEUM PRODUCTS AND ELECTRICITY RATES BY THE
END OF JUNE. ALSO, RECENT WAGE REAJUSTE (SANTIAGO 2372) IS
ALREADY HAVING INFLATIONARY IMPACT. CONSUMER PURCHASING
POWER IS EXPECTED TO ERODE FURTHER IN COMING MONTHS, IF, AS
NOW EXPECTED, NEXT WAGE INCREASE DOES NOT COME
UNTIL OCTOBER 1. INFLATIONARY PHENOMENON IS PRIMARILY OF
COST-PUSH VARIETY, WHICH GOC ECONOMIC AUTHORITIES HAAVE SO
FAR BEEN UNABLE TO BRING UNDER CONTROL. END LOU.
POPPER

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